



**City of  
Matlosana**  
City of Matlosana

Annual Financial Statements  
for the year ended June 30, 2016

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **General Information**

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### **Nature of business and principal activities**

To within its financial and administrative capacity :  
-provide democratic and accountable government for the community of Matlosana;  
-to ensure the provision of services to the community in a sustainable manner;  
-to promote social and economic development;  
-to promote a safe and healthy environment; and  
To encourage the involvement of the community and community organisations in the matters of the municipality.  
Legislation governing the operations of the municipality includes but are not limited to the following:  
-The Constitution of the Republic of South Africa, 1996 and specifically Chapter 7  
-Local Government: Municipal Structures Act 117 of 1998  
-Local Government: Municipal Systems Act 32 of 2000  
-Local Government: Municipal Finance Management Act 56 of 2003

### **Mayoral committee**

Executive Mayor M.K Khauoe

Councillors M.M.S Lee  
G.R Kgosi  
M.E Mthimkulu  
T.I Thobedi  
G.C Mbobo  
M.L Mothibedi  
M.E Kgaile  
R.A Matsepe  
N.S. Mendela  
P.R Pooe

Acting Accounting Officer S.G. Mabuda

Acting Chief Finance Officer (CFO) C.H.R. Boshoff

Registered office Bram Fischer Street  
Klerksdorp  
2571

Business address Bram Fischer Street  
Klerksdorp  
2571

Postal address P.O. Box 99  
Klerksdorp  
2570

Bankers ABSA Bank Ltd

Auditors Auditor General

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Index**

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature :

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### **Abbreviations**

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MMC	Member of the Mayoral Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements is still subject to audit.

The annual financial statements set out on pages 4 to 64, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on its behalf by:

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**Accounting Officer**  
**S.G. Mabuda**

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Statement of Financial Position as at June 30, 2016

Figures in Rand	Note(s)	2016	2015
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	8	35,280,315	73,604,140
Receivables from exchange transactions	9	26,541,938	22,729,502
VAT receivable	10	13,450,693	27,027,163
Consumer debtors	11	161,607,870	118,662,110
Other receivables	7	24,987	3,027,828
Cash and cash equivalents	12	25,568,909	30,500,019
		<b>262,474,712</b>	<b>275,550,762</b>
<b>Non-Current Assets</b>			
Investment property	2	89,761,377	46,279,402
Property, plant and equipment	3	5,566,796,047	5,940,063,360
Intangible assets	4	4,578,555	763,104
Heritage assets	5	10,824,777	10,818,477
Other financial assets	6	27,692,322	25,796,965
Security Deposit paid to Eskom		15,000,000	-
Other receivables	7	147,640	162,548
Nature reserve - Wild stock		2,554,281	1,959,566
		<b>5,717,354,999</b>	<b>6,025,843,422</b>
<b>Total Assets</b>		<b>5,979,829,711</b>	<b>6,301,394,184</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	13	13,109,542	13,109,542
Payables from exchange transactions	16	544,856,815	534,251,922
Unspent conditional grants and receipts	14	10,616,126	14,067,069
Provisions	15	12,546,570	12,445,579
Consumer deposits	17	29,309,017	22,947,417
National Treasury Liability		16,596	-
		<b>610,454,666</b>	<b>596,821,529</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	13	102,720,212	115,829,754
Provisions	15	253,637,219	267,491,759
		<b>356,357,431</b>	<b>383,321,513</b>
<b>Total Liabilities</b>		<b>966,812,097</b>	<b>980,143,042</b>
<b>Net Assets</b>			
Accumulated surplus		<b>5,013,017,614</b>	<b>5,321,251,142</b>
<b>Net Assets</b>		<b>5,013,017,614</b>	<b>5,321,251,142</b>

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015
<b>Revenue</b>			
Service charges	20	1,309,265,825	1,061,158,920
Rendering of services		3,701	38
Rental of facilities and equipment		4,579,207	5,232,869
Licences and permits		6,614,545	6,773,240
Miscellaneous other revenue		4,197	137,440
Commissions received		10,370,251	9,885,896
Royalties received		2,338,097	1,976,233
Rental income		295,481	237,722
Discount received		638,644	569,692
Recoveries		2,113,123	2,013,743
Other income		14,164,825	15,748,016
Donation of Property		25,772,055	5,000,000
Interest received	27	138,480,734	91,202,405
Property rates	19	272,706,788	247,297,084
Government grants & subsidies	21	446,706,348	415,405,000
Levies		1,410,620	1,507,176
Fines		13,573,269	5,386,779
Market dues		16,078,744	14,928,306
<b>Total revenue</b>		<b>2,265,116,454</b>	<b>1,884,460,559</b>
<b>Expenditure</b>			
Employee related costs	24	(489,414,758)	(478,414,639)
Remuneration of councillors	25	(23,981,844)	(22,242,862)
Depreciation and amortisation	28	(472,943,600)	(436,911,755)
Finance costs	29	(33,862,799)	(44,366,109)
Lease rentals on operating lease		(12,256,399)	(8,941,272)
Debt impairment	26	(480,063,289)	(268,834,486)
Repairs and maintenance		(51,965,640)	(56,472,941)
Bulk purchases	32	(759,344,771)	(660,850,277)
Contracted services	31	(32,055,317)	(28,704,583)
General expenses	23	(217,510,430)	(210,243,985)
<b>Total expenditure</b>		<b>(2,573,398,847)</b>	<b>(2,215,982,909)</b>
<b>Operating deficit</b>		<b>(308,282,393)</b>	<b>(331,522,350)</b>
<b>Deficit for the year</b>		<b>(308,282,393)</b>	<b>(331,522,350)</b>

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	5,674,639,041	5,674,639,041
Adjustments		
Correction of errors	(21,865,552)	(21,865,552)
<b>Balance at July 1, 2014 as restated*</b>	<b>5,652,773,489</b>	<b>5,652,773,489</b>
Changes in net assets		
Deficit for the year	(331,522,347)	(331,522,347)
Total changes	(331,522,347)	(331,522,347)
<b>Balance at July 1, 2015</b>	<b>5,321,300,006</b>	<b>5,321,300,006</b>
Changes in net assets		
Deficit for the year	(308,282,392)	(308,282,392)
Total changes	(308,282,392)	(308,282,392)
<b>Balance at June 30, 2016</b>	<b>5,013,017,614</b>	<b>5,013,017,614</b>

Note(s)

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Cash Flow Statement

Figures in Rand	Note(s)	2016	2015
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		1,073,930,344	974,674,124
Grants		443,255,405	413,950,357
Interest income		138,480,734	91,202,405
VAT received		13,576,470	6,177,524
Other receipts		56,423,237	53,737,553
		<b>1,725,666,190</b>	<b>1,539,741,963</b>
<b>Payments</b>			
Employee costs		(527,150,151)	(481,059,425)
Suppliers		(1,072,278,232)	(892,719,860)
Finance costs		(33,862,799)	(43,778,999)
		<b>(1,633,291,182)</b>	<b>(1,417,558,284)</b>
<b>Net cash flows from operating activities</b>	<b>33</b>	<b>92,375,008</b>	<b>122,183,679</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(87,093,545)	(96,128,268)
Proceeds from sale of property, plant and equipment	3	-	5,105,345
Proceeds from sale of investment property	2	17,830,596	-
Purchase of other intangible assets	4	(3,815,451)	-
Purchases of heritage assets	5	(6,300)	-
Net movement of financial assets		(1,895,357)	(1,780,924)
Increase in deposits paid to Eskom		(15,000,000)	-
Purchase of nature reserve - wild stock		(594,715)	-
<b>Net cash flows from investing activities</b>		<b>(90,574,772)</b>	<b>(92,803,847)</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(13,109,542)	(14,706,487)
Movement in consumer deposits		6,361,600	6,269,012
Repayment of liability to National Treasury		16,596	(40,100,000)
<b>Net cash flows from financing activities</b>		<b>(6,731,346)</b>	<b>(48,537,475)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(4,931,110)</b>	<b>(19,157,643)</b>
Cash and cash equivalents at the beginning of the year		30,500,019	49,657,662
<b>Cash and cash equivalents at the end of the year</b>	<b>12</b>	<b>25,568,909</b>	<b>30,500,019</b>

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	1,290,646,580	32,350,910	<b>1,322,997,490</b>	1,309,265,825	<b>(13,731,665)</b>	The service revenue is demand driven and therefore variances occur.
Rendering of services	200,000	(200,000)	-	3,701	<b>3,701</b>	
Rental of facilities and equipment	5,279,190	99,700	<b>5,378,890</b>	4,579,207	<b>(799,683)</b>	
Licences and permits	7,285,790	(2,094,524)	<b>5,191,266</b>	6,614,545	<b>1,423,279</b>	
Miscellaneous other revenue	1,723,700	-	<b>1,723,700</b>	4,197	<b>(1,719,503)</b>	
Commissions received	9,278,580	-	<b>9,278,580</b>	10,370,251	<b>1,091,671</b>	
Royalties received	1,414,940	1,085,060	<b>2,500,000</b>	2,338,097	<b>(161,903)</b>	
Rental income	202,000	(2,000)	<b>200,000</b>	295,481	<b>95,481</b>	
Discount received	584,700	-	<b>584,700</b>	638,644	<b>53,944</b>	
Recoveries	44,520	500,000	<b>544,520</b>	2,113,123	<b>1,568,603</b>	
Other income	32,789,350	(11,583,910)	<b>21,205,440</b>	14,164,825	<b>(7,040,615)</b>	
Donations Received	-	-	-	25,772,055	<b>25,772,055</b>	Donations are not budgeted for and hence the material difference.
Interest received - investment	81,492,730	40,000,000	<b>121,492,730</b>	138,480,734	<b>16,988,004</b>	Due to the revenue enhancement efforts by the Municipality there was more interest on arrear accounts that initially budgeted for.
<b>Total revenue from exchange transactions</b>	<b>1,430,942,080</b>	<b>60,155,236</b>	<b>1,491,097,316</b>	<b>1,514,640,685</b>	<b>23,543,369</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	270,068,400	9,563,905	<b>279,632,305</b>	272,706,788	<b>(6,925,517)</b>	

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Transfer revenue</b>						
Government grants & subsidies	350,594,730	(92,650)	<b>350,502,080</b>	446,706,348	<b>96,204,268</b>	The revenue on capital projects was more than what was budgeted for.
Levies	1,590,000	-	<b>1,590,000</b>	1,410,620	<b>(179,380)</b>	
Fines	2,976,130	(510,000)	<b>2,466,130</b>	13,573,269	<b>11,107,139</b>	There was an enhanced system of recognition of fines revenue in the current year which led to the material difference to the budget.
Market Dues	19,000,000	(3,000,000)	<b>16,000,000</b>	16,078,744	<b>78,744</b>	
<b>Total revenue from non-exchange transactions</b>	<b>644,229,260</b>	<b>5,961,255</b>	<b>650,190,515</b>	<b>750,475,769</b>	<b>100,285,254</b>	
<b>Total revenue</b>	<b>2,075,171,340</b>	<b>66,116,491</b>	<b>2,141,287,831</b>	<b>2,265,116,454</b>	<b>123,828,623</b>	
<b>Expenditure</b>						
Personnel	(490,765,300)	(8,083,510)	<b>(498,848,810)</b>	(489,414,758)	<b>9,434,052</b>	
Remuneration of councillors	(21,421,270)	-	<b>(21,421,270)</b>	(23,981,844)	<b>(2,560,574)</b>	
Depreciation and amortisation	(463,943,670)	13,943,670	<b>(450,000,000)</b>	(472,943,600)	<b>(22,943,600)</b>	There was a significant amount of WIP that was transferred into the PPE and the resultant depreciation caused the material variance.
Finance costs	(10,934,050)	(164,930)	<b>(11,098,980)</b>	(33,862,799)	<b>(22,763,819)</b>	Overdue bulk purchases accounts attracting interest resulted in the difference.
Lease rentals on operating lease	(10,687,010)	(13,913,252)	<b>(24,600,262)</b>	(12,256,399)	<b>12,343,863</b>	
Bad debts written off	(373,522,590)	(34,000,000)	<b>(407,522,590)</b>	(480,063,289)	<b>(72,540,699)</b>	The debtors book increased at a rate higher than expected and consequently so did the allowance for bad debts
Repairs and maintenance	(61,005,944)	387,195	<b>(60,618,749)</b>	(51,965,640)	<b>8,653,109</b>	

## City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Bulk purchases	(747,356,860)	- (747,356,860)	(759,344,771)	(11,987,911)	It's difficult to budget accurately for bulk purchases because the services are demand driven and also influenced by the climate.	
Contracted Services	(31,500,000)	- (31,500,000)	(32,055,317)	(555,317)		
General Expenses	(212,748,430)	(26,901,660)	(239,650,090)	(217,510,430)	22,139,660	Cost cutting measures resulted in this difference.
<b>Total expenditure</b>	<b>(2,423,885,124)</b>	<b>(68,732,487)</b>	<b>(2,492,617,611)</b>	<b>(2,573,398,847)</b>	<b>(80,781,236)</b>	
<b>Deficit before taxation</b>	<b>(348,713,784)</b>	<b>(2,615,996)</b>	<b>(351,329,780)</b>	<b>(308,282,393)</b>	<b>43,047,387</b>	
<b>Deficit for the year from continuing operations</b>	<b>(348,713,784)</b>	<b>(2,615,996)</b>	<b>(351,329,780)</b>	<b>(308,282,393)</b>	<b>43,047,387</b>	
Capital Expenditure	(94,803,949)	(4,147,227)	(98,951,176)	(87,181,603)	11,769,573	There were insufficient funds for capital expenditure due to Treasury withholding money earmarked for infrastructure projects
<b>Actual Amount on Comparable Basis as Presented in the Budget</b>	<b>(443,517,733)</b>	<b>(6,763,223)</b>	<b>(450,280,956)</b>	<b>(395,463,996)</b>	<b>54,816,960</b>	
<b>and Actual Comparative Statement</b>						

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Accounting Policies**

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### **1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

#### **1.1 Presentation currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### **1.2 Going concern assumption**

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### **1.3 Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgements is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. When any significant judgements and sources of estimation uncertainty are applicable, they have been disclosed in the relevant policy.

#### **1.4 Nature Reserve - Wild Stock**

The entity recognises nature reserve - wild stock when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Nature Reserve - Wild Stock are measured at their fair value less costs to sell.

The fair value of the wild stock is determined based on auction prices.

A gain or loss arising on initial recognition of nature reserve - wild stock at fair value less costs to sell and from a change in fair value less costs to sell of a nature reserve - wild stock is included in surplus or deficit for the period in which it arises.

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Accounting Policies**

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### **1.5 Investment property**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### **Cost model**

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

<b>Item</b>	<b>Useful life</b>
Property - land	Indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	7 to 30 years
Furniture and fixtures	7 to 30 years
Infrastructure	
• Roads and paving	10 to 30 years
• Electricity	20 to 30 years
• Wastewater network	15 to 20 years
Other vehicles	3 to 20 years
Other equipment	5 to 10 years
Specialised plant and machinery	5 to 15 years
Other property, plant and equipment	3 to 15 years

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Accounting Policies**

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### **1.6 Property, plant and equipment (continued)**

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

### 1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Accounting Policies**

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### **1.8 Heritage assets (continued)**

Heritage assets are shown at cost and are not depreciated owing to uncertainty regarding to their estimated useful lives.

#### **Recognition**

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### **Initial measurement**

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### **Subsequent measurement**

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

#### **Impairment**

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Accounting Policies**

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### **1.8 Heritage assets (continued)**

#### **Derecognition**

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### **1.9 Financial instruments**

#### **Classification**

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - designated.
- Held-to-maturity investment.
- Loans and receivables.
- Financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

#### **Initial recognition and measurement**

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

#### **Subsequent measurement**

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit exclude dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Accounting Policies**

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### **1.9 Financial instruments (continued)**

#### **Fair value determination**

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### **Impairment of financial assets**

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

#### **Receivables from exchange transactions**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is unelectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

#### **Payables from exchange transactions**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Accounting Policies**

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### **1.9 Financial instruments (continued)**

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### **Bank overdraft and borrowings**

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

#### **Derivatives**

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

#### **Held to maturity**

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

#### **Gains and losses**

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- a gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- for financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

#### **Derecognition**

#### **Financial assets**

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Accounting Policies**

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### **1.9 Financial instruments (continued)**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset.

### **Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

### **1.10 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability. The lease assets are depreciated at appropriate rates as per the relevant policy.

Any contingent rents are expensed in the period in which they are incurred.

#### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in restated deficit as per statement of changes in net assets.

#### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the expense to the municipality.

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Accounting Policies**

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### **1.11 Inventories**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### **1.12 Impairment of cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Accounting Policies**

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### **1.13 Share capital / contributed capital**

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

### **1.14 Employee benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### **Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### **Other post retirement obligations**

The entity provides post-retirement health care benefit to retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

### **1.15 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Accounting Policies**

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### **1.15 Provisions and contingencies (continued)**

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.15 Provisions and contingencies (continued)

Leave and bonus accruals :

- liabilities for annual leave and bonus are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end for the leave accrual and the bonus accrual based on the initial inception of the service month.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

(a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or

(b) a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Accounting Policies**

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### **1.17 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### **Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### **Interest, royalties and dividends**

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Accounting Policies**

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### **1.17 Revenue from exchange transactions (continued)**

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### **1.18 Revenue from non-exchange transactions**

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

### **Rates, including collection charges and penalties interest**

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

### **Fines**

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

### **Levies**

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Accounting Policies**

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### **1.18 Revenue from non-exchange transactions (continued)**

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

#### **Government grants**

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed program may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### **Other grants and donations**

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### **1.19 Turnover**

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

### **1.20 Investment income**

Investment income is recognised on a time-proportion basis using the effective interest method.

### **1.21 Borrowing costs**

### **1.22 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **1.23 Unauthorised expenditure**

Unauthorised expenditure means any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the MFMA and includes :

- overspending of the total amount appropriated in the approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the act.

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Accounting Policies**

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### **1.24 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the restated deficit as per statement of changes in net assets in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the restated deficit as per statement of changes in net assets.

### **1.25 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Restated deficit as per Statement of changes in Net Assets and where recovered, it is subsequently accounted for as revenue in the Restated deficit as per Statement of changes in Net Assets.

### **1.26 Use of estimates**

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### **1.27 Gratuities**

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the restated deficit as per statement of changes in net assets when the gratuity is paid.

### **1.28 Investments**

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the restated deficit as per statement of changes in net assets.

#### **Investments in derivative financial instruments**

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the restated deficit as per statement of changes in net assets in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the restated deficit as per statement of changes in net assets as they arise.

### **1.29 Conditional grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### **1.30 Segmental information**

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Accounting Policies**

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### **1.31 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### **1.32 Events after reporting date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### **1.33 Retirement benefits**

Councillors and employees as well as Council contribute to the following pension and provident funds, which provide retirement benefits to such Councillors and employees:

- Municipal Employees Gratuity Fund.
- Pension Fund for Municipal Councillors.
- National Fund for Municipal Workers.
- SALA Pension Fund.
- SAMWU Provident Fund.
- Municipal Employees Pension Fund.

Council does not operate or are not involved in a guaranteed benefit pension scheme. The above schemes are only based on guaranteed contributions from the side of the employer.

### **1.34 Going concern**

These annual financial statements have been prepared on a going concern basis.

### **1.35 Comparative information**

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified.

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Accounting Policies**

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### **1.36 New Standards and Interpretations**

Application of all of the GRAP standards listed below will be effective from a date to be announced by the Minister of Finance.

Management has considered all the of the listed GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting.
- GRAP 20 Related Party Disclosures.
- GRAP 25 Employee Benefits.
- GRAP 105 Transfers between entities under common control.
- GRAP 106 Transfers between entities not under common control.
- GRAP 107 Mergers.
- Improvements to Standards of GRAP.

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand

2016 2015

### 2. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	89,761,377	-	89,761,377	46,279,402	-	46,279,402

#### Reconciliation of investment property - 2016

	Opening balance	Disposals	Transfers	Total
Investment property	46,279,402	(1,176,717)	44,658,692	89,761,377

#### Reconciliation of investment property - 2015

	Opening balance	Transfers	Total
Investment property	46,734,506	(455,104)	46,279,402

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	97,932,274	-	97,932,274	102,121,815	-	102,121,815
Buildings	434,428,100	(139,366,481)	295,061,619	434,428,100	(115,871,271)	318,556,829
Infrastructure	10,345,967,738	(5,824,536,504)	4,521,431,234	10,270,053,843	(5,460,925,544)	4,809,128,299
Community	959,940,098	(368,082,286)	591,857,812	956,297,060	(311,737,834)	644,559,226
Other property, plant and equipment	147,811,337	(87,298,229)	60,513,108	139,569,041	(73,871,850)	65,697,191
<b>Total</b>	<b>11,986,079,547</b>	<b>(6,419,283,500)</b>	<b>5,566,796,047</b>	<b>11,902,469,859</b>	<b>(5,962,406,499)</b>	<b>5,940,063,360</b>

### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	102,121,815	-	(5,730,053)	1,540,512	-	-	-	-	97,932,274
Buildings	318,556,829	-	-	-	-	-	(23,495,211)	-	295,061,618
Infrastructure	4,809,128,299	99,831,893	(8,523,990)	-	-	-	(378,987,721)	(17,247)	4,521,431,234
Community	644,559,226	3,643,038	-	-	-	-	(56,344,452)	-	591,857,812
Other property, plant and equipment	65,697,191	9,468,421	(553,534)	-	-	-	(14,098,970)	-	60,513,108
	<b>5,940,063,360</b>	<b>112,943,352</b>	<b>(14,807,577)</b>	<b>1,540,512</b>		<b>-</b>	<b>- (472,926,354)</b>	<b>(17,247)</b>	<b>5,566,796,046</b>

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Depreciation	Total
Land	104,248,354	-	-	(2,126,539)	-	-	-	102,121,815
Buildings	342,114,957	29,160	-	-	-	-	(23,587,288)	318,556,829
Infrastructure	5,099,604,579	85,306,176	(32,097,413)	-	-	(867,217)	(342,817,826)	4,809,128,299
Community	686,671,333	14,271,955	-	-	-	-	(56,384,062)	644,559,226
Other property, plant and equipment	80,232,354	1,520,977	(1,933,524)	-	-	-	(14,122,616)	65,697,191
	<b>6,312,871,577</b>	<b>101,128,268</b>	<b>(34,030,937)</b>	<b>(2,126,539)</b>		<b>(867,217)</b>	<b>(436,911,792)</b>	<b>5,940,063,360</b>

#### Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Total
Opening balance	48,174,658	48,174,658
Additions/capital expenditure	66,099,921	66,099,921
Transferred to completed items	(14,709,499)	(14,709,499)
	<b>99,565,080</b>	<b>99,565,080</b>

#### Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Total
Opening balance	103,902,418	103,902,418
Additions/capital expenditure	39,319,832	39,319,832
Transferred to completed items	(95,047,592)	(95,047,592)
	<b>48,174,658</b>	<b>48,174,658</b>

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand

2016 2015

### 4. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4,578,555	-	4,578,555	763,104	-	763,104

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Total
Computer software, other	763,104	3,815,451	4,578,555

#### Reconciliation of intangible assets - 2015

	Opening balance	Total
Computer software, other	763,104	763,104

### 5. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Museum collectable, Monuments and Heritage sites	10,824,777	-	10,824,777	10,818,477	-	10,818,477

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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2016 2015

### 5. Heritage assets (continued)

#### Reconciliation of heritage assets 2016

	Opening balance	Additions	Total
Museum collectable, Monuments and Heritage sites	10,818,477	6,300	10,824,777

#### Reconciliation of heritage assets 2015

	Opening balance	Total
Museum collectable, Monuments and Heritage sites	10,818,477	10,818,477

#### Heritage assets which fair values cannot be reliably measured

#### Heritage Assets

The following heritage assets cannot be reliably measured: 15 Grave stones/graves, 6 Monuments, 1 railway line bridge, 1 old mine shaft, 1 rock engraving, 1 foundation and 1 rock wall. Fair value cannot be determined reliably due to the uniqueness of the asset and no market exists for the assets to establish a reasonable value.

### 6. Other financial assets

#### At amortised cost

Investments	27,692,322	25,796,965
The municipality has not reclassified any financial assets from amortised cost to fair value or from fair value to amortised during the current or prior year.		

#### Non-current assets

At amortised cost	27,692,322	25,796,965

#### Financial assets at amortised cost

##### Nominal value of Investments

Nedcor: FK183349	19,875,074	18,492,798
The Nedcor investment is encumbered by a pledge of R3 700 000.		
Sanlam: Capital guaranteed fund - 040710409X0	490,096	458,073
Sanlam: Capital guaranteed fund - 040644725x0	7,327,152	6,846,094

**27,692,322 25,796,965**

### 7. Other receivables

#### Loan to Klerksdorp Rolbalklub

Short term portion of loan	24,987	24,019
Fire Arms	10,121	-
Long term portion of loan	137,519	162,548
	<b>176,704</b>	<b>186,567</b>

An existing loan to the Klerksdorp Rolbalklub is being repaid with an interest rate of 5% applicable. The MFMA stopped the practice of giving loans to sport bodies

#### Remuneration overpaid to councillors

**- 3,003,809**

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand

2016 2015

### 7. Other receivables (continued)

The councillors received remuneration that was above the upper limits as determined by the Minister of Finance hence in order for the requirements of section 7(1) of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998) to be complied with, this overpayments have to be repaid by the councillors. This amount constitutes Irregular expenditure deemed recoverable.

### 8. Inventories

Consumable stores	32,723,970	42,213,465
Water	2,076,531	1,862,238
Museum stores - at authorised value	298,439	164,440
Unsold properties held for resale at council resolution or municipal valuation	181,375	29,363,997
	<b>35,280,315</b>	<b>73,604,140</b>

### 9. Receivables from exchange transactions

Deposits	727,153	727,153
Receivables	21,073,847	18,617,837
Market	3,394,893	1,939,506
Housing and housing rentals	1,346,045	1,445,006
	<b>26,541,938</b>	<b>22,729,502</b>

### 10. VAT receivable

VAT	13,450,693	27,027,163
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### 11. Consumer debtors

<b>Gross balances</b>		
Rates	137,197,404	107,614,685
Electricity	289,396,636	277,164,310
Water	716,997,630	580,608,402
Sewerage	153,663,046	129,427,089
Refuse	218,538,899	169,358,771
Interest on overdue accounts	515,274,329	421,941,100
Other	262,340,243	228,417,892
	<b>2,293,408,187</b>	<b>1,914,532,249</b>

### Less: Allowance for impairment

Rates	(127,559,388)	(100,944,761)
Electricity	(268,211,201)	(259,985,753)
Water	(666,318,521)	(544,622,475)
Sewerage	(142,716,605)	(121,405,239)
Refuse	(203,221,807)	(158,861,968)
Interest on overdue accounts	(478,773,634)	(395,789,323)
Other	(244,999,160)	(214,260,623)
	<b>(2,131,800,316)</b>	<b>(1,795,870,142)</b>

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand

2016 2015

### 11. Consumer debtors (continued)

#### Net balance

Rates	9,638,015	6,669,925
Electricity	21,185,436	17,178,558
Water	50,679,109	35,985,927
Sewerage	10,946,441	8,021,850
Refuse	15,317,091	10,496,803
Interest on overdue accounts	36,500,695	26,151,777
Other	17,341,083	14,157,270
	<b>161,607,870</b>	<b>118,662,110</b>

#### Rates

Current (0 -30 days)	17,471,479	17,465,863
31 - 60 days	5,246,287	4,824,820
61 - 90 days	3,712,169	4,556,889
91+ days	110,767,468	80,767,113
Provision for bad debts	(127,559,388)	(100,944,760)
	<b>9,638,015</b>	<b>6,669,925</b>

#### Electricity

Current (0 -30 days)	41,706,419	36,472,604
31 - 60 days	8,876,631	9,930,787
61 - 90 days	5,844,205	4,728,127
91 + days	232,969,382	226,032,792
Provision for bad debts	(268,211,201)	(259,985,752)
	<b>21,185,436</b>	<b>17,178,558</b>

#### Water

Current (0 -30 days)	37,084,191	24,292,906
31 - 60 days	31,252,552	15,809,493
61 - 90 days	19,193,698	13,609,423
91 + days	629,467,189	526,896,580
Provision for bad debts	(666,318,521)	(544,622,475)
	<b>50,679,109</b>	<b>35,985,927</b>

#### Sewerage

Current (0 -30 days)	7,436,391	5,408,240
31 - 60 days	3,933,176	2,573,001
61 - 90 days	3,360,477	2,232,751
91 + days	138,933,002	119,213,097
Provision for bad debts	(142,716,605)	(121,405,239)
	<b>10,946,441</b>	<b>8,021,850</b>

#### Refuse

Current (0 -30 days)	10,207,809	7,091,294
31 - 60 days	6,615,339	4,524,763
61 - 90 days	5,739,739	4,191,878
91 + days	195,976,011	153,550,836
Provision for bad debts	(203,221,807)	(158,861,968)
	<b>15,317,091</b>	<b>10,496,803</b>

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand

2016 2015

### 11. Consumer debtors (continued)

Interest on overdue accounts	2016	2015
Current (0 -30 days)	15,297,699	10,328,103
31 - 60 days	12,483,689	10,061,736
61 - 90 days	11,953,885	9,285,748
91 + days	475,539,056	392,265,513
Provisions for bad debts	(478,773,634)	(395,789,323)
	<b>36,500,695</b>	<b>26,151,777</b>

### Other

Other	2016	2015
Current (0 -30 days)	14,852,396	11,395,099
31 - 60 days	8,119,344	5,191,063
61 - 90 days	5,530,653	3,907,507
91 + days	233,837,850	207,924,223
Provision for bad debts	(244,999,160)	(214,260,622)
	<b>17,341,083</b>	<b>14,157,270</b>

### Reconciliation of allowance for impairment

Balance at beginning of the year	(1,795,870,141)	(1,504,951,425)
Contributions to allowance	(474,564,131)	(293,028,811)
Debt written off against allowance	138,633,957	2,110,095
	<b>(2,131,800,315)</b>	<b>(1,795,870,141)</b>

The carrying value of consumer debtors approximate fair value.

### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	68,500	68,500
Short-term deposits and Bank balances	25,500,409	30,431,519
	<b>25,568,909</b>	<b>30,500,019</b>

The municipality had the following bank accounts

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015				
<b>12. Cash and cash equivalents (continued)</b>						
Account number / description	Bank statement balances	Cash book balances				
	June 30, 2016	30 June 2015	June 30, 2014	June 30, 2016	30 June 2015	June 30, 2014
ABSA Bank - cheque account - 4060008684	321,037	144,183	83,216	234,245	118,628	72,005
ABSA Bank - cheque account - 01000100176	16,603,440	4,805,676	12,740,886	11,389,618	(2,739,891)	22,196,106
ABSA Bank - cheque account - 950164379 (Council water)	154,406	982,081	3,543,222	(463,145)	380,255	3,177,193
ABSA Bank - cheque account - 950000090 (Market)	926,883	814,093	780,414	92,062	92,062	92,062
ABSA Bank - 407826177 - Call Account	165,330	272,862	17,958,487	165,330	272,862	17,958,487
ABSA Bank - 4081494682 - Call	1,749,359	202,314	191,725	1,749,359	202,314	191,725
ABSA Bank - 4086111223 - Call Account	643,442	128,206	-	643,442	128,206	-
ABSA Bank - 4073033854 - Call Account	424,509	31,052,506	56,490	424,509	31,052,506	56,490
ABSA Bank - 9056825047 - Call Account	43,788	43,254	43,247	43,788	43,254	43,247
ABSA Bank - 9074204063 - Call Account	169,646	167,989	167,083	169,646	167,989	167,083
ABSA Bank - 9090072264 - Call Account	5,582,731	402,399	387,840	5,582,731	402,399	387,840
Investec Bank - 30000123771 - Call Account	5,218,153	65,397	5,010,657	5,218,153	65,397	5,010,657
FNB - 71037411669 - Collateral	36,975	34,778	32,841	36,975	34,778	32,841
FNB - 70379020873 - Collateral	14,000	14,000	14,000	14,000	14,000	14,000
FNB - 71039866474 - Collateral	51,379	48,438	45,802	51,379	48,438	45,802
ABSA Bank - call account - 4071085841 (Housing)	148,713	148,713	143,624	148,317	148,317	143,624
<b>Total</b>	<b>32,253,791</b>	<b>39,326,889</b>	<b>41,199,534</b>	<b>25,500,409</b>	<b>30,431,514</b>	<b>49,589,162</b>
<b>13. Other financial liabilities</b>						
<b>At amortised cost</b>						
Shiva Uranium		32,409,664	32,409,664			
The loan is interest free and repayable by selling portable water to the company at R0.50 per kilolitre discount to the regular price of potable water pumped.						
Annuity loans	83,420,091	96,529,632				
	<b>115,829,755</b>	<b>128,939,296</b>				
<b>Total other financial liabilities</b>			<b>115,829,755</b>	<b>128,939,296</b>		
<b>Non-current liabilities</b>						
At amortised cost	102,720,212	115,829,754				
<b>Current liabilities</b>						
At amortised cost	13,109,542	13,109,542				

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Notes to the Annual Financial Statements**

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### **14. Unspent conditional grants and receipts**

**Unspent conditional grants and receipts comprises of:**

#### **Unspent conditional grants and receipts**

National Electricity Regulator	1,938,428	414,998
FMG	1,070	-
DWAF	276,464	276,464
MSIG	130,526	135,736
EPWP	1,512,217	2,973,198
Fire Grant	255,183	52,606
Library grant	1,632,755	1,240,587
NDPG Grant	(132,329)	3,971,670
Dr Kenneth Kaunda District Municipality	213,176	213,176
Disaster Assessment Management Grant	200,000	200,000
District Grant	4,581,284	4,581,284
Museum Grant	7,352	7,350
	<b>10,616,126</b>	<b>14,067,069</b>

See note 21 for reconciliation of grants from National or Provincial Government.

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 15. Provisions

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Change in discount factor	Reduction due to re-measurement or settlement	Total
Environmental rehabilitation	16,031,129	-	(4,916,464)	-	11,114,665
Continuous medical aid contribution	213,229,839	-	-	(10,211,011)	203,018,828
Long service awards	50,676,370	1,373,926	-	-	52,050,296
	<b>279,937,338</b>	<b>1,373,926</b>	<b>(4,916,464)</b>	<b>(10,211,011)</b>	<b>266,183,789</b>

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Reversed during the year	Total
Environmental rehabilitation	14,354,384	1,676,745	-	-	16,031,129
Continuous medical aid contribution	195,598,486	17,631,353	-	-	213,229,839
Performance bonuses	820,605	-	-	(820,605)	-
Long service awards	46,222,438	4,453,932	-	-	50,676,370
	<b>256,995,913</b>	<b>23,762,030</b>		<b>(820,605)</b>	<b>279,937,338</b>
Non-current liabilities	253,637,219	267,491,759			
Current liabilities	12,546,570	12,445,579			
	<b>266,183,789</b>	<b>279,937,338</b>			

#### Environmental rehabilitation provision

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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### 15. Provisions (continued)

In terms of the licensing of the landfill refuse sites, the municipality will incur rehabilitation costs to restore the site at the end of its useful life. Provision has been made for the net present value of this cost.

#### Employee benefit cost provision

	Year ending 30/06/2018	Year ending 30/06/2017	2016	2015
Opening defined benefit obligation	222,488,189	203,018,828	213,229,839	195,598,486
Plus Service Cost	9,674,762	8,845,732	8,486,764	8,081,534
Plus Interest / Finance Cost	20,452,673	18,659,009	18,666,921	17,012,017
Actuarial (Gain)/Loss	-	-	(29,340,416)	585,710
Expected Employer Benefit Payments	(8,712,572)	(8,035,380)	(8,024,280)	(8,047,908)
	<b>243,903,052</b>	<b>222,488,189</b>	<b>203,018,828</b>	<b>213,229,839</b>

#### General description of the type of plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

#### The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

Discount rate : 9.37% (2015 : 8.92%)

Health care cost inflation rate: 8.43% ( 2015 : 8.05%)

Net effective discount rate: 0.87% (2015 : 0.81%)

Maximum Subsidy inflation rate: 5.95%

Net discount rate for capped subsidies: 3.23%

Take-up by retired employees : 100% (2015 : 100%)

Retirement age : 65 (2015 : 65)

Proportion assumed married at retirement: 45% (2015: 45%)

Proportion of eligible current non-member employees joining the scheme by retirement 25% (2015:

Pre retirement mortality : SA85-90 Light (2015 : SA85-90 Light)

Post retirement mortality : PA[90] (2015 : PA[90])

#### Sensitivity Analysis

The table below indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 8% higher than that shown.

(R millions)

Assumption	Change	In-service	Continuation	Total	% Change
Central Assumptions		108.993	94.026	203.019	
Health care inflation	+1%	122.340	96.287	218.627	8%
	-1%	93.591	90.860	184.452	-9%
Discount Rate	+1%	89.496	86.664	176.161	-13%
	-1%	134.269	102.582	236.851	17%
Post-retirement mortality	-1 yr	113.043	97.565	210.607	4%
Average retirement age	-1 yr	119.880	94.026	213.906	5%
Continuation of membership at retirement	-10%	94.026	94.026	188.293	-7%

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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### 15. Provisions (continued)

#### Sensitivity Analysis Continued

The table below summarises the results of this analysis on the Current-service and Interest Costs for the year ending 30 June 2016.

(R millions)

Assumption	Change	Current - service Cost	Interest Cost	Total	% change
<b>Central Assumptions</b>		8,486,800	18,666,900	27,153,700	
Health care inflation	+1%	10,560,700	21,120,200	31,680,900	17%
	-1%	6,764,700	16,336,900	23,101,600	-15%
Discount rate	+1%	6,831,500	17,901,900	24,733,400	-9%
	-1%	10,679,400	19,461,000	30,140,400	11%
Post-retirement mortality	-1yr	8,833,100	19,448,300	28,281,400	4%
Average retirement age	-1yr	9,161,200	19,604,900	28,766,100	6%
Continuation of membership at retirement	-10%	7,318,400	17,353,500	24,671,900	-9%

#### History of Liabilities, Assets and Experience Adjustments

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods

History of liabilities and assets (R millions)

Liability History	30/06/2012	30/06/2013	30/06/2014	30/06/2015	30/06/2016
Accrued liability	226,367	235,206	195,598	213,230	203,019
Fair value of plan assets	0.00	0.00	0.00	0.00	0.00
Surplus / (Deficit)	(226,367)	(235,206)	(195,598)	(213,230)	(203,019)

The table below summarises the experience adjustments for the current period and the previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

History of experience adjustments: Gains and Losses (R millions)

Experience adjustments	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014	Year ending 30/06/2015	Year ending 30/06/2016
Accrued liability	(20,784)	(1,893)	(75,058)	3,984	(8,305)
Fair value of plan assets	0.00	0.00	0.00	0.00	0.00

#### Provision for Long Service Awards

	Year ending 30/06/2018	Year ending 30/06/2017	2016	2015
Balance at beginning of year	56,547,873	52,050,287	50,676,361	46,222,438
Current-service cost	5,121,449	4,715,259	4,519,344	4,020,405
Interest cost	4,667,842	4,293,517	3,955,254	3,554,095
Benefits Paid/ Expected benefits	(4,822,074)	(4,511,190)	(4,421,299)	(4,665,135)
Actuarial Loss / (Gain)	-	-	(2,679,373)	1,544,558
	<b>61,515,090</b>	<b>56,547,873</b>	<b>52,050,287</b>	<b>50,676,361</b>

#### General description of the type of plan

The Municipality operates an unfunded defined benefit plan for all its employees whereby the Municipality offers employees Long Service Awards for every five years of service completed, from ten years of service to 45 years of service. Under the plan, a Long-service Award is payable after 10 years of continuous service,

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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### 15. Provisions (continued)

#### Principal assumptions used as at the balance sheet date

Discount Rate: 8.15% (2015: 8.09%)

Cost Inflation Rate: 7.26% (2015: 7.15%)

Net Effective Discount Rate: 1.26% (2015: 0.93%)

Expected Retirement Age: 65 (2015: 65)

Mortality during employment: SA85-90 Light (2015 : SA85-90 Light)

#### Sensitivity Analysis

The table below summarises the results of the sensitivity analysis.

Sensitivity Analysis on the Unfunded Accrued Liability (in R Millions)

Assumptions	Change	Liability	% change
Central assumptions		52,050	
General salary inflation	+1%	55,910	7%
	-1%	48,586	-7%
Discount Rate	+1%	48,586	-7%
	-1%	48,439	8%
Average retirement age	-2 yrs	47,172	-9%
	2 yrs	56,821	9%
Withdrawal rates	-50	58,529	12%

The table below summarises the results of this analysis on the Current-service and Interest Costs for the year ending 30 June 2016.

Assumption	Change	Current - service Cost	Interest Cost	Total	% change
Central Assumptions		4,519,300	3,955,300	8,474,600	
General salary inflation	+1%	4,944,800	4,269,900	9,214,700	9%
	-1%	4,143,200	3,673,500	7,816,700	-8%
Discount rate	+1%	4,167,500	4,109,800	8,277,300	-2%
	-1%	4,923,500	3,764,400	8,687,900	3%
Average retirement age	-2 yrs	4,136,700	3,562,100	7,698,800	-9%
	+2 yrs	4,880,700	4,339,400	9220,100	9%
Withdrawal rates	-10%	5,467,500	4,496,700	9,964,200	18%

#### History of Liabilities, Assets and Experience Adjustments

The table below summarises the accrued liabilities and the plan assets for the current period and the previous two periods.

Liability History	30/06/2014	30/06/2015	30/06/2015
Accrued Liability	46,222,438	50,676,361	52,050,287
Fair value of plan assets	0	0	0
Surplus / (Deficit)	(46,222,438)	(50,676,361)	(52,050,287)

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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### 16. Payables from exchange transactions

Trade payables	397,282,277	382,792,863
Payments received in advanced	32,169,565	38,774,132
Accrued leave pay	69,940,230	61,935,330
Long Service Leave	5,055,482	4,861,176
Sundry creditors	40,258,874	45,738,034
Housing : Absa bank account	148,317	148,317
Other Creditors	2,070	2,070
	<b>544,856,815</b>	<b>534,251,922</b>

### 17. Consumer deposits

Electricity and water	29,309,017	22,947,417
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### 18. Revenue

Rendering of services	3,701	38
Service charges	1,309,265,825	1,061,158,920
Rental of facilities and equipment	4,579,207	5,232,869
Licences and permits	6,614,545	6,773,240
Miscellaneous other revenue	4,197	137,440
Property rates	272,706,788	247,297,084
Government grants & subsidies	446,706,348	415,405,000
Levies	1,410,620	1,507,176
Fines, Penalties and Forfeits	13,573,269	5,386,779
Market Dues	16,078,744	14,928,306
	<b>2,070,943,244</b>	<b>1,757,826,852</b>

**The amount included in revenue arising from exchanges of goods or services are as follows:**

Service charges	1,309,265,825	1,061,158,920
Rendering of services	3,701	38
Rental of facilities and equipment	4,579,207	5,232,869
Licences and permits	6,614,545	6,773,240
Miscellaneous other revenue	4,197	137,440
Commissions received	10,370,251	9,885,896
Recoveries	2,113,123	2,013,743
	<b>1,332,950,849</b>	<b>1,085,202,146</b>

**The amount included in revenue arising from non-exchange transactions is as follows:**

<b>Taxation revenue</b>		
Property rates	272,706,788	247,297,084
<b>Transfer revenue</b>		
Government grants & subsidies	446,706,348	415,405,000
Levies	1,410,620	1,507,176
Fines, Penalties and Forfeits	13,573,269	5,386,779
Market Dues	16,078,744	14,928,306
	<b>750,475,769</b>	<b>684,524,345</b>

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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### 19. Property rates

#### Rates received

Residential	251,737,887	198,312,605
State	24,282,924	30,016,980
Indigent	(3,352,078)	18,929,443
Sundry debtors	38,055	38,055
	<b>272,706,788</b>	<b>247,297,083</b>

#### Valuations

Residential	15,535,909,231	15,535,909,231
State	934,669,050	934,669,050
Municipal	625,832,325	625,832,325
Agricultural	2,057,631,936	2,057,631,936
Business	4,701,022,117	4,701,022,117
	<b>23,855,064,659</b>	<b>23,855,064,659</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. The valuations were done by DDP Valuers on behalf of the Municipality.

### 20. Service charges

Sale of electricity	661,692,277	594,194,394
Sale of water	433,534,751	309,364,140
Sewerage and sanitation charges	91,495,501	68,004,886
Refuse removal	122,543,297	89,595,500
	<b>1,309,265,826</b>	<b>1,061,158,920</b>

### 21. Government grants and subsidies

#### Operating grants

Equitable share	339,737,000	339,136,000
MIG	100,263,395	57,692,705
FMG	1,673,930	1,600,834
MSIG	935,210	798,886
Library Grant	607,834	225,531
NDPG Grant	-	15,028,330
Museum Grant	99,998	92,650
	<b>443,317,367</b>	<b>414,574,936</b>

#### Capital grants

EPWP	3,388,981	830,064
	<b>3,388,981</b>	<b>830,064</b>
	<b>446,706,348</b>	<b>415,405,000</b>

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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### 21. Government grants and subsidies (continued)

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R454 (2015: R390), which is funded from the grant.

#### MIG

Balance unspent at beginning of year		7,577,395
Current-year receipts	84,493,000	85,331,000
Conditions met - transferred to revenue	(67,670,074)	(56,985,395)
Roll over denied	(16,822,926)	(35,923,000)

Conditions still to be met - remain liabilities (see note 14)

The municipality was denied a rollover of R40.1million for the 2013-14 financial period. This amount was deducted from the equitable share allocation that was paid over to the municipality in the same year. Having then settled this denied rollover, the municipality was once more denied another rollover for the 2014-15 period of R35million which was due to an error in the disclosure of the MIG grant. Consequently the municipality had to fund capital projects to the value of R40million using funding that was either earned through operations or from equitable share resulting in the cashflow difficulties that have plagued the municipality for the last couple of years.

#### NERSA

Balance unspent at beginning of year	414,998	22,308
Current-year receipts	5,000,000	1,100,000
Conditions met - transferred to revenue	(3,476,570)	(707,310)
	<b>1,938,428</b>	<b>414,998</b>

Conditions still to be met - remain liabilities (see note 14)

#### FMG

Balance unspent at beginning of year		629,101
Current-year receipts	1,675,000	1,600,000
Conditions met - transferred to revenue	(1,673,930)	(1,600,834)
Roll over denied	-	(628,267)
	<b>1,070</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 14)

#### DWAF

Balance unspent at beginning of year	276,464	276,464

Conditions still to be met - remain liabilities (see note 14)

#### MSIG

Balance unspent at beginning of year	135,736	229,622
Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(935,210)	(798,886)
Roll over denied	-	(229,000)
	<b>130,526</b>	<b>135,736</b>

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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### 21. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 14)

#### EPWP

Balance unspent at beginning of year	2,973,198	1,890,262
Current-year receipts	3,028,000	1,913,000
Conditions met - transferred to revenue	(3,388,981)	(830,064)
Roll over denied	(1,100,000)	-
	<b>1,512,217</b>	<b>2,973,198</b>

Conditions still to be met - remain liabilities (see note 14)

#### Fire

Balance unspent at beginning of year	52,606	52,606
Current-year receipts	2,200,000	-
Conditions met - transferred to revenue	(1,997,423)	-
	<b>255,183</b>	<b>52,606</b>

Conditions still to be met - remain liabilities (see note 14).

#### Library

Balance unspent at beginning of year	1,240,589	1,066,119
Current-year receipts	1,000,000	400,000
Conditions met - transferred to revenue	(607,835)	(225,530)
	<b>1,632,754</b>	<b>1,240,589</b>

Conditions still to be met - remain liabilities (see note 14).

#### NDPG Grant

Balance unspent at beginning of year	3,971,670	-
Current-year receipts	26,987,000	19,000,000
Conditions met - transferred to revenue	(27,119,329)	(15,028,330)
Rollover denied	(3,971,670)	-
	<b>(132,329)</b>	<b>3,971,670</b>

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

#### District MEYMP

Balance unspent at beginning of year	213,176	213,176
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Conditions still to be met - remain liabilities (see note 14).

#### Disaster Assessment Management Grant

Balance unspent at beginning of year	200,000	200,000
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Conditions still to be met - remain liabilities (see note 14).

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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### 21. Government grants and subsidies (continued)

#### District Grant

Balance unspent at beginning of year	4,581,284	4,581,284
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Conditions still to be met - remain liabilities (see note 14).

#### Museum Grant

Balance unspent at beginning of year	7,350	-
Current-year receipts	100,000	100,000
Conditions met - transferred to revenue	(99,998)	(92,650)
	<b>7,352</b>	<b>7,350</b>

Conditions still to be met - remain liabilities (see note 14).

### 22. Other income

Commissions received	10,370,251	9,885,896
Royalties received	2,338,097	1,976,233
Rental income - third party	295,481	237,722
Discount received	638,644	569,692
Recoveries	2,113,123	1,193,138
Gain on movement of provisions	-	820,605
Other miscellaneous income	14,164,825	15,748,016
Donation of community hall	25,772,055	5,000,000
	<b>55,692,476</b>	<b>35,431,302</b>

# City of Matlosana

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### 23. General expenses

Advertising	1,165,836	1,538,220
Alternative Energy	4,861,366	13,273,327
Animal costs	11,774	-
Auditors remuneration	5,969,400	4,886,243
Bank charges	7,646,210	7,813,433
Chemicals	1,239,403	873,107
Clean audit project	11,886,522	5,491,819
Commission paid	10,728,637	-
Community development and training	131,526	115,658
Conferences and seminars	994,110	638,857
Consumables	1,164,246	1,044,451
Discount allowed	885,620	8,960
Entertainment	64,937	95,020
Fines and penalties	-	37,400
Hire	4,566,383	2,320,635
Indigent costs	16,846,954	19,101,715
Installation cost	11,552,819	49,004,795
Insurance	11,926,213	6,246,072
Legal fees	12,649,835	9,972,594
Loss on Disposal of Assets	660,191	2,485,541
Magazines, books and periodicals	58,487	64,715
Marketing	203,977	169,109
Medical expenses	54,212	8,945
Meter readings	9,207,192	8,145,837
Motor vehicle expenses	50,308,659	33,122,391
Other miscellaneous	21,181,795	19,173,208
Pest control	68,803	87,546
Postage and courier	3,188,072	3,232,234
Printing and stationery	2,690,652	2,304,973
Promotions and sponsorships	100,000	-
Protective clothing	1,490,337	985,674
Refuse	5,923,133	2,941,275
Revenue enhancement	-	1,195,839
Stock write- offs	6,174,489	148,950
Subscriptions and membership fees	4,306,584	5,076,147
Telephone and fax	5,508,217	5,233,400
Title deed search fees	349,145	205,848
Tracing fees	88,800	20,230
Training	591,581	2,511,362
Transport and freight	35,568	26,571
Travel - local	336,103	284,833
Valuation fees	692,643	357,051
	<b>217,510,431</b>	<b>210,243,985</b>

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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### 24. Employee related costs

Basic	314,474,587	287,182,814
Medical aid - related costs	27,356,257	54,122,796
UIF	2,992,576	2,821,375
WCA	2,534,242	2,160,350
SDL	4,071,448	3,734,516
Leave pay provision charge	3,282,743	(2,487,209)
Travel, motor car, accommodation, subsistence and other allowances	8,135,936	7,166,291
Overtime payments	31,115,095	29,868,852
Long-service awards	1,373,926	4,453,932
13th Cheques	23,537,351	22,738,064
Housing benefits and allowances	2,056,386	1,387,153
Group insurance	1,178,624	1,074,604
Pension fund	62,588,435	58,938,017
Redemption of leave	3,832,216	4,255,290
Cell Phone Allowance	601,004	576,928
Other payments	248,563	344,930
Blood Samples	35,369	75,936
	<b>489,414,758</b>	<b>478,414,639</b>

### Remuneration of municipal manager

Motsemme ET (Municipal Manager)	1,398,928	1,313,903
Mabuda SG (Acting Municipal Manager since February 2015)	1,398,928	668,918
	<b>2,797,856</b>	<b>1,982,821</b>

### Remuneration of Chief Finance Officer

Kwenamore WM (Acting Chief Financial Officer until January 2015)	-	630,260
Brown JM (Acting Chief Financial Officer: January to February 2015)	-	46,000
CHR Boshoff (Acting Chief Financial Officer since February 2015)	1,369,066	544,367
	<b>1,369,066</b>	<b>1,220,627</b>

### Remuneration of Director Municipal & Environmental Services (Vacant)

Annual equivalent remuneration.	1,121,343	1,067,946
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### Remuneration of Director Corporate Services

Stydom AG (Appointed from 16 April 2012 until 31 October 2014)	-	334,884
Ciya ND (Acting director from 1 July 2014 to 30 October 2014)	-	95,093
Ramorola LM (Acting director since 1 November 2014)	1,121,343	733,034
	<b>1,121,343</b>	<b>1,163,011</b>

### Remuneration of Director Macro City Planning & Development

Annual equivalent remuneration (Mabuda SG was appointed acting municipal manager from 14 January 2015)	1,121,343	1,067,946
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### Remuneration of Director Strategic Planning, Monitoring and Control (Vacant)

Annual equivalent remuneration.	1,121,343	1,067,946
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### Remuneration of Director Infrastructure (Vacant)

Annual equivalent remuneration.	1,121,343	1,067,946
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### Remuneration of Director Electrical and Mechanical Engineering (Vacant)

Annual equivalent remuneration.	1,121,343	1,067,946
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# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>25. Remuneration of councillors</b>		
Executive Mayor	816,329	775,297
Mayoral Committee Members	7,311,307	6,616,635
Speaker	658,915	626,090
Councillors	15,195,294	14,224,839
	<b>23,981,845</b>	<b>22,242,861</b>
<b>In-kind benefits</b>		
The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has the use of a Council owned vehicle for official duties.		
The Executive Mayor has one full-time bodyguard\driver.		
<b>26. Debt impairment</b>		
Contributions to debt impairment provision	480,063,289	266,724,391
Bad debts written off	-	2,110,095
	<b>480,063,289</b>	<b>268,834,486</b>
<b>27. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	671,841	1,120,767
Interest charged on trade and other receivables	130,897,119	87,282,388
Interest on investments	6,911,774	2,799,250
	<b>138,480,734</b>	<b>91,202,405</b>
<b>28. Depreciation and amortisation</b>		
Property, plant and equipment	472,943,600	436,911,755
<b>29. Finance costs</b>		
Non-current borrowings	10,598,773	12,111,941
Other interest paid	23,264,026	32,254,169
	<b>33,862,799</b>	<b>44,366,110</b>
<b>30. Auditors' remuneration</b>		
Fees	5,969,400	4,886,243
<b>31. Contracted services</b>		
Security Services	22,647,945	18,379,469
Disconnecting/ Connecting Services	-	4,457,768
Debt Collection	9,407,373	5,847,346
Garden Services Paypoints	-	20,000
	<b>32,055,318</b>	<b>28,704,583</b>

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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### 32. Bulk purchases

Electricity	524,019,282	449,624,410
Water	235,325,489	211,225,867
	<b>759,344,771</b>	<b>660,850,277</b>

Electricity (losses in units)	148,982,382	160,757,258
Electricity (losses as %)	25%	27%
Water (losses in units)	8,886,211	10,828,016
Water (losses) in %)	29%	36%

Electricity and water are supplied by Eskom and Midvaal Water Company.

The municipality is in the process of installing meters at all its premises to enable us to accurately measure and manage own use. A strategy has been developed to minimise distribution losses and it will be implemented over time due to budget constraints.

### 33. Cash generated from operations

Deficit	(308,282,392)	(331,522,347)
<b>Adjustments for:</b>		
Depreciation and amortisation	472,943,600	436,911,755
Movement in valuation of wild stock	-	68,047
Debt impairment	480,063,287	268,834,486
Movements in provisions	(13,753,549)	22,941,425
Non-cash donation received	(25,772,055)	(5,000,000)
Leave provision	8,199,206	-
Stock Adjustment	5,201,080	(126,065)
Loss on sale of assets	660,190	32,374,453
<b>Changes in working capital:</b>		
Inventories	(15,611,691)	5,702,723
Receivables from exchange transactions	(18,779,215)	5,196,663
Consumer debtors	(508,042,269)	(335,081,880)
Other receivables	3,017,749	23,120
Payables from exchange transactions	2,405,540	34,647,614
VAT	13,576,470	(9,077,524)
Unspent conditional grants and receipts	(3,450,943)	(3,708,791)
	<b>92,375,008</b>	<b>122,183,679</b>

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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### 34. Commitments

#### Authorised capital expenditure

• Infrastructure	17,732,719	37,723,897
<hr/>		
This expenditure will be financed from :		

#### • Government grants

17,732,719 37,723,897

This committed expenditure relates to property, plant and equipment and will be financed by grants from National Treasury.

#### Operating leases - as lessee (expense)

<b>Minimum lease payments due</b>		
- within one year	13,164,680	6,819,540
- in second to fifth year inclusive	17,552,906	-
	<b>30,717,586</b>	<b>6,819,540</b>

Operating lease payments represent rentals payable by the municipality for photocopiers. Leases are negotiated for an average term of three years. No contingent rent is payable.

### 35. Contingencies

#### Contingent assets

<b>City of Matlosana / Munmap (Pty) Ltd Maximum Profit Recovery (Pty) Ltd</b>		
Council obtained judgement against respondent.	650,000	1,300,000
<hr/>		
<b>City of Matlosana / MM Moadira</b>		
Six claims were formulated in the summons relating to financial losses incurred due to misconduct by the defendant.	4,754,892	4,754,892
<hr/>		
<b>City of Matlosana / Reetseng Construction CC</b>		
A claim by the Council for non delivery of goods paid for.	-	276,633
<hr/>		
<b>City of Matlosana / Balemi Civils</b>		
A claim by the Council for non-performance of contract CE58/2/20007/B	-	1,600,000
<hr/>		
<b>City of Matlosana / Mr Masisi</b>		
City of Matlosana sued Mr Masisi for fruitless and wasteful expenditure.	1,000,000	1,901,264
<hr/>		
<b>City of Matlosana / Zazise Communications CC</b>		
A claim by the City of Matlosana for non-payment of money owed by the defendant for advertisement.	-	500,000
<hr/>		
<b>City of Matlosana / Great Champs Trading</b>		
Settlement for rental due and payable which defendant has not settled.	76,693	-

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Notes to the Annual Financial Statements**

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### **36. Related parties**

#### Relationships

Councillor MK Khauoe	Midvaal Water Company
Councillor LM Kortjas	Midvaal Water Company
Councillor RA Matsepe	Midvaal Water Company
Councillor L Robinson	SENWES
Councillor A Combrinck	Lomdrom Skips

Councillors are members of the board of directors of the Midvaal Water Company ( a section 21 company ) who supply bulk water to the City of Matlosana. Transactions with Midvaal Water Company amounted to R235 325 489 (2015:R209 119 521). Midvaal Water Company is a supplier and the transactions are at arm's length.

Councillor A Combrinck is a related party of Lomdrom Skips and the amount contracted for the year amounted to R0 (2015: R15 300).

Councillor L Robinson is employed by SENWES and the amount contracted for the year amounted to R717 120 (2015: R511.40).

Management is regarded as a related party and comprises the Councillors, Executive Mayor, Mayoral Committee members, Municipal Manager and Executive directors. Refer to note 25 and 26 for remuneration paid.

### **37. Prior period errors**

1. After consultation with various stakeholders regarding the road infrastructure in the North West province it was established that in 2015 the opening balance for road infrastructure was overstated by R53 105 753. The opening balance for the following assets was also discovered to be have been misstated:

Land and Buildings were over understated by R4 734 413, Other Property, Plant and Equipment was understated by R2 302 914, Heritage Assets were understated by R4 823 423 and Investment property was understated by 523 846.

2. In 2015, there was an opening balance amount of R12 426 187 relating to a receivable from the sale of stands that was subsequently noted to have been no longer due as at that date, consequently the receivables from exchange transactions was overstated by this amount.

[

3. in 2015, due to suspense accounts that were not correctly adjusted, the opening balance of payables from exchange transactions was overstated by R1 095 782 and opening balance of receivables from exchange transactions was also overstated by R4 863 747.

4. During the preceding years to 2015, the debtor related to the sale of stands was incorrectly accounted for and consequently was understated due to incorrect accounting treatment.

5. In the current financial year SARS conducted a VAT audit and uncovered that VAT on certain income and expenditure items was being accounted for incorrectly in the prior years. SARS reassessed these periods implying that the income and expenditure, and VAT receivable balance was misstated. Consequently there were penalties and interest that was raised in those prior periods which also implied that the fruitless and wasteful expenditure was understated.

6. The retention's in 2015 were overstated due lack of a proper system of maintain the retention register.

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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### 37. Prior period errors (continued)

7. In the prior year the unspent conditional grants were overstated (The Municipal Infrastructure Grant was overstated by R35 900 000, the National Energy Regulator of South Africa Grant was overstated by R2 300 000 and the Expanded Public Works Programme Grant was overstated by R1 800 000).
8. The amount disclosed as receivable from councilors was overstated in 2015. The Councillors had forgone their statutory pay increases to settle the debt they had incurred due to being paid above the upper limits as determined by the Minister of Finance.
9. In the 2015 annual financial statements, the irregular expenditure amount disclosed was over stated by R100 947 364 due to wrong classifications, duplicated amounts and inclusion of liabilities' were monies has not yet been paid.
10. In 2015, there was a payment made to the Midvaal Water Company of 2,4million that was not allocated to the bulk purchases account for water and consequently the bulk purchases were understated.
11. In 2015 the fruitless and wasteful expenditure was understated by R3 006 905.
12. The Municipality did not correctly account for the overspending on the capital projects in 2015 and consequently the unspent conditional grants was understated and the revenue was overstated by R19 077 074.
13. Due to a change in methodology for calculating the impairment on consumer debtors (in order to align with the requirements of GRAP 104), the impairment expense in the 2015 financial year was overstated by R29 748 927, provision for bad debts was overstated by R32 649 468 and the VAT deferred on impaired debtors was overstated by R2 900 541.

#### Effect of errors on the Accumulated Surplus

Decrease in accumulates surplus due to error 1	-	(40,721,156)
Increase in accumulated surplus due to error 2	-	(12,426,187)
Decrease in accumulates surplus due to error 3	-	(4,454,009)
Increase in accumulates surplus due to error 4	-	2,162,930
Decrease in accumulates surplus due to error 5	-	(7,489,001)
Increase in accumulates surplus due to error 6	-	850,618
Increase in accumulates surplus due to error 7	-	40,000,000
Increase in accumulates surplus due to error 8	-	211,253
<b>Increase / (Decrease) in Unappropriated Surplus Account</b>	<b>-</b>	<b>(21,865,552)</b>

#### Effect of errors on Statement of financial position

Decrease in Property, plant and equipment due to error 1	-	(43,358,342)
Increase in heritage assets due to error 1	-	4,823,423
Increase in investment property due to error 1	-	523,846
Decrease in receivables from Exchange Transactions due to error 2	-	(12,547,257)
Decrease in payables from exchange transactions due to error 3	-	1,095,782
Decrease in receivables from exchange transactions due to error 3	-	(4,863,747)
Increase in receivables from exchange transactions due to error 4	-	2,732,973
Decrease in VAT receivable due to error 5	-	(10,649,903)
Decrease in Payables from Exchange Transactions due to error 6	-	850,618
Decrease in Unspent conditional grants due to error 7	-	40,000,000
Decrease in the Unspent Conditional Grants due to error 12	-	(19,077,074)
Decrease in the other receivable due to error 8	-	(1,573,352)
Increase in the VAT receivable due to error 10	-	294,889
Decrease in Bank balance due to error 10	-	(2,401,235)
Increase in consumer debtors due to error 13	-	32,649,468
Decrease in VAT receivable due to error 13	-	(2,900,541)
<b></b>	<b>-</b>	<b>(14,400,452)</b>

#### Effect of errors on Statement of Financial Performance

Deficit as previously reported	-	(338,987,347)
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# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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### 37. Prior period errors (continued)

Decrease in depreciation due to error 1	-	2,710,083
Decrease in other income due to error 2	-	(121,070)
Decrease in General Expenses due to error 3	-	686,043
Increase in other income due to error 4	-	569,943
Increase in finance cost due to error 5	-	(587,110)
Increase in Bulk Purchases due to error 5	-	(1,114,623)
Decrease in other income due to error 5	-	(1,459,169)
Increase in councilor's remuneration due to error 8	-	(1,784,605)
Increase in bulk purchases due to error 10	-	(2,106,347)
Decrease in revenue due to error 12	-	(19,077,074)
Decrease in Impairment expense due to error 13	-	29,748,927
<b>Restated deficit as per Statement of changes in Net Assets</b>	<b>-</b>	<b>(331,522,349)</b>

### 38. Comparative figures

Certain comparative figures have been reclassified.

1. In the prior year there was an amount of R26 300 that was mapped to "employee cost" in the statement of financial performance, this amount was better represented general expenses that employee and hence the comparative figures have been appropriately reclassified.

The effects of the reclassification are as follows:

#### Statement of financial performance

Decrease in Employee Costs	-	(26,300)
Increase in General Expenses	-	26,300

### 39. Risk management

#### Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide services for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 13, cash and cash equivalents disclosed in note 12, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The municipality's strategy is to maintain a gearing ratio of between 10% to 35%.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2016 and 2015 respectively were as follows:

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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### 39. Risk management (continued)

#### Total borrowings

Current Liabilities	610,454,666	596,821,529
Non-current liabilities	356,637,219	383,321,513
	<b>967,091,885</b>	<b>980,143,042</b>
Less: Cash and cash equivalents	12	25,568,909
Net debt		30,500,019
Total equity		941,522,976 949,643,023
<b>Total capital</b>		<b>5,013,017,614 5,321,251,142</b>
		<b>5,954,540,590 6,270,894,165</b>

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2016 and 2015, the municipality's borrowings at variable rate were denominated in Rand.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016	2015
Long term receivables	27,692,322	25,796,965
Consumer debtors	161,607,870	118,662,110
Other receivables	172,627	3,190,376
Cash and cash equivalents	25,568,909	30,500,019

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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2015

### 39. Risk management (continued)

The municipality is exposed by a guarantee for a loan at DBSA and is secured by the Nedbank investment as disclosed in note 12.

### 40. Going concern

We draw attention to the fact that although the municipality reported a deficit of R308 282 393 at June 30, 2016, the municipality had accumulated surplus of 5,013,017,614 and that the municipality's total assets exceed its liabilities by 5,013,017,614. However current liabilities exceeds current assets by R344 881 287.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

We are experiencing cash flow challenges as a result of low debtors collection rate which has an impact on our ability to pay our creditors timeously. Our ability to continue as a going concern is highly dependant on improvement of collections and management of costs. As a result of the above financial indicators, some uncertainty exists regarding the Municipality to continue as a going concern.

### 41. Events after the reporting date

There were no material events that required an adjustment to the annual financial statements after the reporting date.

### 42. Unauthorised expenditure

#### Reconciliation of unauthorised expenditure

Opening balance	1,424,534,175	1,404,482,186
Unauthorised expenditure current year	73,697,807	20,051,989
<b>Unauthorised expenditure awaiting authorisation</b>	<b>1,498,231,982</b>	<b>1,424,534,175</b>

The over expenditure for the 2016 financial year is mainly due interest on over due bulk purchases accounts. Regarding the 2015 unauthorised expenditure, the over expenditure against budget due to additional depreciation charge as a result of the GRAP 17 compliance exercise conducted and the impairment of consumer and sundry debtors. The total balance including the opening balance will be dealt with in accordance with the MFMA requirements.

### 43. Fruitless and wasteful expenditure

#### Reconciliation of fruitless and wasteful expenditure

Opening balance	91,222,464	54,228,686
Fruitless and wasteful expenditure current year	23,264,026	33,986,873
Prior Year Adjustment	-	3,006,905
<b>Fruitless and wasteful expenditure awaiting condonement</b>	<b>114,486,490</b>	<b>91,222,464</b>

The Municipality incurred interest as a result of late payment of the Eskom, SARS, Midvaal and Auditor General accounts. Fines and penalties were also incurred for non payment of the amounts due to the Department of Labour for workman's compensation contributions.

### 44. Irregular expenditure

#### Reconciliation of irregular expenditure

Opening balance	1,870,863,938	1,739,161,427
Add: Irregular Expenditure - current year	188,430,526	200,907,083
Deviations (Not yet presented to Council)	22,032,479	31,302,864
Prior period errors	-	(100,507,436)
<b>Irregular expenditure awaiting condonement</b>	<b>2,081,326,943</b>	<b>1,870,863,938</b>

In the 2015 annual financial statements, the irregular expenditure amount disclosed was over stated by R100 947 364 due to wrong classifications, duplicated amounts and inclusion of liabilities' were monies has not yet been paid.

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

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### 45. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government : SALGA

Opening balance	23,754	23,754
Current year subscription / fee	3,371,500	4,442,020
Amount paid - current year	(3,371,500)	(4,442,020)
	<b>23,754</b>	<b>23,754</b>

#### Audit fees

Opening balance	4,841,740	7,637,885
Current year subscription / fee	1,427,904	5,570,317
Amount paid - current year	(4,403,077)	(8,366,462)
	<b>1,866,567</b>	<b>4,841,740</b>

#### PAYE, UIF and SDL

Opening balance	4,043,452	3,933,337
Current year subscription / fee	57,783,400	51,007,384
Amount paid - current year	(57,155,669)	(50,897,269)
	<b>4,671,183</b>	<b>4,043,452</b>

#### Pension and Medical Aid Deductions

Opening balance	11,107,186	10,954,934
Current year subscription / fee	129,781,113	134,668,054
Amount paid - current year	(130,548,479)	(134,515,802)
	<b>10,339,820</b>	<b>11,107,186</b>

# City of Matlosana

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### 45. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### VAT

VAT receivable	13,450,693	27,027,163
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#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2016:  
 (Currently arrangements with the Councillors to deduct the outstanding balances from their monthly salaries in line with the council's credit policy)

June 30, 2016	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor M Coetze	6,862	34,924	41,786
Councillor MP Hlaka	2,363	4,187	6,550
Councillor KL Ross	1,128	3,128	4,256
	<b>10,353</b>	<b>42,239</b>	<b>52,592</b>

30 June 2015	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor M Coetze	3,332	30,887	34,219

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

June 30, 2016	Highest outstanding amount 2016	Highest outstanding amount 2015
Councillor M Coetze	37,679	34,219
Councillor MP Hlaka	9,609	-
Councillor KL Ross	6,628	-
	<b>53,916</b>	<b>34,219</b>

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>46. Contingent liabilities</b>		
<b>S Ndabangauge / City of matlosana</b> Litigation between the municipality and the plaintiff against unlawful dismissal	150,000	-
<b>H.T Tshoepo / City of matlosana</b> Litigation between the municipality and the plaintiff against unlawful dismissal	150,000	-
<b>City of Matlosana / Balemi</b> Service provider did not deliver on services as awarded by the tender	1,600,000	-
<b>Theron Jordaan &amp; Smit / City of Matlosana</b> This was an application by the claimant, a firm of attorneys, to be reinstated on the panel by council. There is also a counter action by council for files retained by the firm.	-	185,166
<b>City of Matlosana / O Wanajo</b> Litigation and claims between the plaintiff and the municipality	3,396,513	-
<b>City of Matlosana / Isago @N12 Development (pty) Ltd</b> Claims to prevent development on property in flamewood, due to unlawful dealings by the first respondent	160,000,000	-
<b>S Pillay / City of Matlosana</b> Shalin Pillay instituted legal action Council for damages suffered.	-	240,000
<b>Badiboa / City of Matlosana</b> The matter relates to a tender for the paving of Taxi Routes and Stormwater Drainage which tender was awarded to Badiboa and they were subsequently appointed on 17 August 2010. The contract was cancelled by the City of Matlosana on 14 January 2011 due to Badiboa failing to progress with the Construction.	2,000,000	-
<b>Solid base trading cc / City of Matlosana</b> Me. Betty Manisa claim from Council for services rendered during 2007.	11,234,700	-
<b>City of Matlosana / N Moeleni</b> Litigation and claim between the plaintiff and the municipality	100,000	-
<b>City of Matlosana / S Mokake</b> Litigation and claim between the plaintiff and the municipality	100,000	-
<b>City of Matlosana / Sizan Scrapmetals</b> Litigation and claim between the plaintiff and the municipality	100,000	-
<b>City of Matlosana / Bakgeni Civils &amp; Construction</b> Arbitration award for non monetary claim to supplier	171,108	-
<b>Roadspan Asphalt (Pty) Ltd / City of Matlosana</b> Council is defending summons brought against the Council by the plaintiff.	-	174,292
<b>QCK Lezmin 4251 CC / City of Matlosana</b> Council is defending summons brought against the Council by the plaintiff.	1,309,124	1,309,124

# City of Matlosana

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand

2016 2015

### 46. Contingent liabilities (continued)

#### River End Trading / City of Matlosana

Council is defending summons brought against the Council by the plaintiff.

#### Ke A Dira Construction CC / City of Matlosana

Council is defending summons brought against the Council by the plaintiff for losses alleged to have been experienced due to the revision of tender FS 1/2011.

- 87,372

#### City of Matlosana / SAMWU 060 ABS Fourie

Litigation and claim between the plaintiff and the municipality

153,632 -

#### City of Matlosana / Hendrick Mvundlela

Litigation and claim between the plaintiff and the municipality

361,953 -

#### City of Matlosana / SAMWU 060 M.E Khumalo

Litigation and claim between the plaintiff and the municipality.

257,638 -

#### Itumre Building Supply CC / City of Matlosana

The City of Matlosana is defending the matter.

563,816 563,816

#### City of Matlosana / SAMWU 060 Mapaseka Diseko

Litigation and claim between the plaintiff and the municipality

361,887 -

#### MM Moadira / Executive Mayor and City of Matlosana

Litigation and claims between plaintiff and the municipality

5,000,000 4,000,000

#### P & S Basson / City of Matlosana

The claimant instituted legal action against the City of Matlosana

- 141,600

#### City of Matlosana / S.J Khabu

Litigation and claim between the plaintiff and the municipality

1,212,000 -

#### City of Matlosana / Bonang Trading Developments

Litigation and claim between the plaintiff and the municipality

1,015,000 -

#### Panos Kannelakopoulos / City of Matlosana

The claimant instituted legal action action against the City of Matlosana

- 6,100

#### Munmap (Pty) Ltd Maximum Profit Recovery / City of Matlosana

The claimant instituted legal action action against the City of Matlosana

7,822,100 1,200,000

#### Custos Beskerming CC / City of Matlosana

The claimant instituted legal action action against the City of Matlosana

- 36,231

#### Paul Fick Cronje / City of Matlosana

The claimant instituted legal action action against the City of Matlosana

- 2,005

#### Norman Gerdus Keyser / City of Matlosana

The claimant instituted legal action action against the City of Matlosana

- 98,455

#### Joseph L. Moshesh / City of Matlosana

The claimant instituted legal action against the City of Matlosana.

- 60,000

# **City of Matlosana**

Annual Financial Statements for the year ended June 30, 2016

## **Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>46. Contingent liabilities (continued)</b> <b>Imvula Roads and Civil / City of Matlosana</b> The claimant instituted legal action against the City of Matlosana.	-	1,522,100
<b>City of Matlosana / Incledon Division of DPI Plastics (Pty) Ltd</b> Litigation and claims between the plaintiff and the municipality	200,000	-